

## Public sector reform in Papua New Guinea— the saga continues

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There are two terms that today are heavily used (and indeed over-used) in discussions of public policy and administration. They are 'governance' and 'public sector reform'. Good governance, or improved governance, is a major theme of development policy. Public sector reform is inevitably associated with efforts aimed at achieving good governance, and in some instances public sector reform appears, somewhat inappropriately, to be regarded as the main contributor to improvements in national governance. A better-informed perspective suggests a need to distinguish between the two concepts if we are to appreciate how public sector reform can contribute to the good governance agenda.

'Governance' is concerned with the management of national affairs and related issues of transparency, predictability and accountability. The domains of 'governance' are usually identified as the State, the private sector and the community. All domains should co-exist and interact in a balanced way in a well-run society. Good governance is concerned with improving the systems and methodologies applied in promoting and regulating this interaction, and with achieving good performance from these systems. The 'State' in turn comprises Parliament, the executive and the judiciary,

acting coherently in the interests of the community and consistently with the Constitution of the country.

Public sector reform is less clearly defined and sometimes there is confusion with public sector management, which is a more specific managerial concept. Public sector reform is essentially about the implementation of changes in the role, activities and performance of the executive arm of the State in carrying out its functions as established under the Constitution, legislation and stated policies. Public sector reform is usually taken to occur when favourable changes are being implemented in regard to those institutions, policies and management that are the responsibility of the executive.

There is no single approach to public sector reform that ensures the effectiveness of such changes, and as the executive government is responsible, politics will inevitably have a role to play in determining which changes in institutions, policies and management are deemed to be favourable or unfavourable. Agreement on what constitutes 'good' public sector reform is not always readily forthcoming and debates may extend over considerable time, with reversals as the political colour of the executive government changes. However,

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there is now growing agreement about good practice in public sector reform, at least as far as the key areas for intervention are concerned. These key areas include financial management, personnel management, asset management, performance systems and service delivery initiatives, implemented through the institutions, policies and management systems available to the executive government—what might be called the ‘IPM model’ of public sector reform.

Many interventions potentially fall under the coverage of public sector reform, some large and significant, but many are small and disconnected. This can cause confusion about public sector reform, particularly about what is intended to be achieved and how important it might be. In public sector reform, long lists of possible activities often abound, but not all are significant. A lack of focus can make the task of implementation more difficult, with too much attention given to minor matters and not enough to implementation of high priority and more challenging objectives.

A more rigorous approach to the assessment of public sector reform, based on the ‘IPM model’, may help us see the picture more clearly by providing a reference base for identifying what is important and what is less important; and monitoring and assessing future progress with public sector reform.

### Recent reviews of public sector reform

Most commentators would say that, to date, public sector reform in Papua New Guinea has been unsuccessful. There has been no shortage of strategies and policies, and many well-designed and well-intentioned initiatives can be identified. Where the strategies have come to grief has been in execution and implementation.

One major review (Turner and Kavanamur 2002) covers public sector reform over the period 1975–2000. This is an informative and frank review that suggests significant change in the public sector was not in fact welcomed or supported over the period concerned. Turner and Kavanamur observe that a promising start with public sector reform after independence in 1975 was soon overtaken by policy failure. They point to a succession of reports tracing and lamenting declining efficiency and effectiveness in public sector performance.

Their review noted the following different periods of reform activities with different emphases.

- 1975–84: a period of ‘tinkering’ with the bureaucracy; incremental change; an initial focus on ‘localisation’ and the departure of expatriate employees; decentralisation; and an expansion of public sector employment.
- 1985–94: a period of creeping crisis in public service management with a decline in management and performance; the minimisation of the role of the Public Service Commission and the creation of the Department of Personnel Management, in effect creating a new human resource management system that was much more ‘politicised’; and early moves towards privatisation and downsizing.
- 1995–2000: a period of acute crisis, generally not very productive for public sector reform, leading to more reviews and a focus on ‘good governance’; a new system of decentralisation was introduced; World Bank-oriented reforms were raised but there was not much implementation of change; a further program of reforms was introduced by the Morauta Government towards the end of the period.

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Turner and Kavanamur (2002) suggest that politics are at the heart of the difficulties being experienced in Papua New Guinea. Their key hypothesis is that the chances of failure in reform escalate when important sections of the political élite see no direct benefits accruing to themselves or to their supporters from reforms. Thus, changing reform menus may have little effect in situations where local political dynamics determine the outcomes of the reform process.

Similar frank criticisms were outlined by Sause and Aloï (2003). Since 1995, reforms have failed to have a positive bearing on public sector performance and suggest that reform has become cyclical in Papua New Guinea with no end in sight. In regard to the latter point, they argue that successive Papua New Guinea governments have recycled similar reform initiatives, but little change has been achieved. Even though strategies for reform may appear reasonable when released publicly, they are not executed effectively and are not producing expected improvements in performance.

Sause and Aloï refer to the reform activities of three separate governments: Chan (1994–96), Skate (1996–99) and Morauta (1999–2002). In 2000, the Morauta Government introduced a ‘Strategic Plan for public sector reform in Papua New Guinea’ as part of its overall reform program (Public Sector Reform Management Unit 2003). Described as a multi-pronged approach, this strategy combined some redefinition of the role of government, some privatisation, and strengthened management capacity in the public sector. Key developments included

- introduction of the Central Agencies Coordination Committee (CACC) and the Public Sector Reform Management Unit, and the creation of a Chief Secretary position, all aimed at improving coordination

- a program of Functional Expenditure Reviews, with World Bank support.

However, follow-up to these reviews was disappointing. Sause and Aloï conclude that there is a need for reform to be more integrated, for more political and bureaucratic commitment to reform, for removal of obstacles to better performance, and improved conditions for enhancing productive capability.

### Recent developments

Subsequently, the Somare Government (which came to power in mid 2002) has introduced its own program of reforms, with support and encouragement from the Asian Development Bank, the World Bank and AusAID. This program is still to be fully implemented, but some key parts of it could be accelerated under the newly announced initiative on enhanced cooperation between Papua New Guinea and Australia.

Nevertheless, there have been significant developments recently that suggest there may be a new opportunity to break out of the unproductive cycle of reform statements and inadequate implementation of reforms. These include

- the Asian Development Bank Public Service Program Loan, late in 2001, with conditions about public sector reform matters
- a new AusAID focus on central agencies
- economic and financial management reforms
- human resource management reforms
- the release of a new Strategic Plan for public sector reform by the government
- the new Australia-Papua New Guinea initiative on cooperation in aid (announced in December 2003).

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### Asian Development Bank Public Service Program loan

In October 1999, the Asian Development Bank authorised a US\$25.8 million loan, in association with AusAID and the United Nations Development Programme, for a Financial Management Improvement Project aimed at improving planning and budgeting systems, budget execution and accounting systems, information technology systems, training and human resources development, and change and program management.

Subsequently, the Asian Development Bank took a higher profile role in supporting reform, associated with its entry into a Public Service Program loan late in 2001. This US\$70 million loan was to be released in two equal tranches. As at the end of 2003, however, agreement had not been reached on release of the second tranche, as the Asian Development Bank continued to assess whether relevant loan conditions focusing on reform had been met.

The Public Service Program was intended to support public sector reform in four areas, as part of the reform agenda of the government

- building a performance-oriented public service
- reorienting personnel management systems and processes
- strengthening probity and oversight agencies
- improving delivery of major services.

In December 2001 a related technical assistance package was initiated by the Asian Development Bank. Extensive and detailed terms of reference were established, covering

- the personnel management system and improving processes (through capacity building in the Department of Personnel Management, the Public Service Commission and Papua New

Guinea Institute of Public Administration)

- strengthening mechanisms to deliver public services (strengthening the Public Sector Reform Management Unit and service delivery improvement).

However, the resources provided under the program are unlikely to be sufficient to achieve the comprehensive objectives. Nevertheless, this work has been useful for the design of follow-up activities, and in establishing priorities for future activities, particularly in relation to the Department for Personnel Management and service delivery issues.

This program highlights the need for close and effective coordination among donors, and between donors and the government. Reform tends to create long lists of apparently desirable activities, but such an approach can be inconsistent with the quantum and capabilities of local resources—the issue of ‘proportionality’. In some instances, donor-supported programs can become competitive and use up scarce local resources, rather than reinforcing key objectives. Greater attention to priorities is desirable and to some extent is starting to appear (as discussed below in relation to the Public Expenditure Review and Rationalisation project).

### AusAID and the Central Agencies

Over the past year, there has been a stronger focus on the effectiveness of Australian aid to Papua New Guinea (AusAID 2003). AusAID has focused more of its support on the role of central agencies, as a key part of institutional improvement. It has provided support for both the Central Agencies Coordination Committee and the Public Sector Reform Management Unit, and new assessments of their role in public sector reform. Additional assistance has been

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provided for Papua New Guinea Treasury through the Advisory Support Facility to supplement continued support of the Papua New Guinea-Australia Treasury Twinning Scheme; through support for the Public Expenditure Review and Rationalisation project; and through commissioning of a study called the Gap Analysis, which focused on recognition of deficiencies in corporate planning and management in key agencies (Dixon and Holland 2003).

AusAID has also initiated reviews and technical assistance for the Department for Personnel Management (particularly in relation to industrial relations) and the public service commission as new areas of support. These developments have proved valuable in establishing a base for further technical assistance to support institutional change, for example under the enhanced program of aid cooperation.

#### **Economic and financial management reforms**

Economic and financial management reforms are a key area encompassing macroeconomic and budgetary policy issues and activities. Relevant activities include

- The Financial Management Improvement Program. This is an Asian Development Bank-supported activity, which includes a review of accounting systems and related information technology and management issues. It is also supported by AusAID and other donors.
- Papua New Guinea-Australia Treasury Twinning Scheme. This arrangement, which has been in operation since 1999, has been supported by the Australian Treasury, with AusAID funding.
- Additional AusAID technical assistance on economic and financial matters through ASF. Since 1999, expenditures of about A\$5 million have been made on this and the Twinning Scheme.

- The Public Expenditure Review and Rationalisation project. This is a major donor-funded review of economic, financial and budget issues, which was carried out in conjunction with the government during 2003, and is apparently continuing in 2004.

The Public Expenditure Review and Rationalisation project is a major new activity with considerable potential to promote change in public sector policies and performance. It has four major themes: a road map to fiscal sustainability; prioritisation of expenditures; action to control civil service size and payroll; and restoring the integrity of budget institutions and systems.

In his Budget Speech in November 2003, Treasurer Bart Philemon noted that the next phase of the Public Expenditure Review and Rationalisation project (to be undertaken in early 2004) would identify medium-term structural reforms to the expenditure side of the Budget of at least 3 per cent of GDP or around K400 million (Philemon 2003).

It will be revealing of the prospects for public sector reform to see how the Public Expenditure Review and Rationalisation project findings are addressed during 2004 and how the Treasurer's savings target is met.

#### **Human resource management reform issues**

Personnel management is a major problem area, with normally expected establishment and staff controls absent, or not applied effectively. After retrenchments have occurred in the past, new staff have often been recruited, thereby eliminating intended savings. In other cases, funds for redundancies have not been available and persons designated for retrenchment have remained in employment as unattached officers with no effective staff management program or work activities. Again, the objective of generating savings has not been achieved.

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Payroll is a large part of recurrent expenditure in the Budget and the Public Expenditure Review and Rationalisation project has highlighted payroll costs as a major issue for budget management. Coincidentally, work on the modernisation of the payroll system (the Concept Project) has clarified the nature and extent of this problem and related issues such as payments to 'ghost' employees and increased employment of casual staff, while providing an opportunity to deal with these issues through more rigorous management of personnel matters. Solutions require discipline in managing establishments and staff numbers. It will also require a new degree of cooperation between the departments of Personnel Management and Treasury and Finance to close off loopholes in the payroll and human resource systems.

Hopefully, many loopholes in human resource records and systems will be rectified through the new system, but there are many difficulties to be overcome in implementation. A promising sign of more rigour is the recent action by the Department of Education to control more closely the resumption of duties by teachers, and related payroll arrangements. Previously, teachers who did not resume duties could in most circumstances still receive salary payments. There are also outstanding public service pay claims and negotiations that could have budget implications.

Significant changes are underway in personnel management regimes for high-level officials in an effort to reduce the politicisation and instability in these positions. Over recent years, this has been an area of considerable contention and litigation, generating instability and uncertainty. Under amendments to the Constitution that came into operation on 11 August 2003, the Public Service Commission is now required by law to submit recommendations about the appointment,

revocation of appointment, and suspension of departmental heads and provincial administrators to the National Executive Council. These arrangements are supported by legislation and detailed regulations and have recently been extended to cover the heads of statutory agencies.

In conjunction with these arrangements, a new performance management program for departmental heads is being formulated. Performance assessment of departmental heads (other than Central Agencies Coordination Committee members) is to be undertaken by the Committee; the performance assessment of members of the Committee is to be undertaken by the chief secretary; and the performance assessment of the chief secretary is to be undertaken by the prime minister on advice from the Public Service Commission. This approach is under active discussion and procedures have not been settled.

Under the new arrangements, the revocation of appointment of a departmental head shall only be made on the recommendation of the Public Service Commission, which is also responsible for recommending the termination of an appointment of a departmental head as a result of legislative change, abolition of position, redundancy, or retrenchment. A minister may suspend a departmental head on disciplinary grounds only on the recommendation of the Public Service Commission and with ratification by the National Executive Council. Decisions requiring a departmental head to take paid leave of absence are to be made by the National Executive Council on the recommendation of the Public Service Commission. At the conclusion of any investigation of a disciplinary charge undertaken by the Public Service Commission, the findings are to be conveyed to the National Executive Council through the Secretary of the Department of Personnel

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Management and the Minister for the Public Service.

The Public Service Commission is trying to define its role and work out how it will discharge its responsibilities under these arrangements. One disappointing aspect in the Papua New Guinea Budget for 2004 is that no funding was provided to the Public Service Commission for staff increases to meet these new obligations. As existing staff resources are insufficient, there is a major risk that the new responsibilities will not be carried out.

**New Strategic Plan for public sector reform**

A new Strategic Plan for public sector reform was released in December 2003 by the Minister for the Public Service. The plan emphasises the key drivers of reform—the critical budgetary situation, high debt servicing and very high public sector payroll costs; provincial administration difficulties; accountability issues; and lack of respect for rule of law. Objectives, strategies and indicators for enhanced reform are outlined. The key objectives are a public sector with a clear sense of direction; affordable government; improving performance and accountability; good governance (probity, respect for the rule of law and anti-corruption); and improving service delivery.

The Strategic Plan presents a clearer sense of priorities than previously but will it result in better implementation? Will effective attention be given to the affordability constraint, to performance improvement, and to anti-corruption activities? It is intended that the National Executive Council will provide political leadership and direction for implementation of the Strategic Plan, while the Central Agencies Coordination Committee will provide strategic oversight of the public sector reform process at the official level. Departments, agencies and provincial

administrations will be responsible for implementation, with central agency support. The Public Sector Reform Management Unit is to be an expert resource available to assist central and line agencies and provincial administrations (and to act as facilitator not controller). The Public Sector Reform Advisory Group provides input from external stakeholders to the reform process and will continue in this role.

The Plan has been endorsed by the government, and it will be important for international donors to accept it as the basis for future activities in reform. If donors disagree with the Strategic Plan and have other views about concepts and priorities, that could be counterproductive to effectiveness. The plan has a strong emphasis on affordability and accountability, and donor support would seem likely. This would be helpful in effectively 'ruling a line' under strategy and forcing a concentration on the execution and implementation of specific reform policies and activities, which has been the problem in the past.

**The new Australia-Papua New Guinea initiative in reform**

The Australia-Papua New Guinea initiative in public sector reform was proposed by Australia in late 2003 and its broad intentions set out in a Joint Ministerial Statement of 18 September 2003 on the aid relationship. An agreed framework was set up to develop the proposals. Australian delegations on law and order, justice, and governance issues visited Papua New Guinea, followed by a delegation on assistance in the areas of macroeconomic management and public sector reform. There was an agreement in principle to examine the placement of Australian officials in line positions in departments and agencies.

Press reports (at end November 2003) indicated that the Papua New Guinea Cabinet had endorsed the use of Australian

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advisors and referred to the possible commitment of Australian personnel and funding for two five-year periods. Foreign Minister Namaliu emphasised that Papua New Guinea must maintain political stability to derive maximum benefit from Australian aid and that there was a need for ongoing political leadership and commitment.

Details of the new program were agreed at an Australia-Papua New Guinea Ministerial Forum in Adelaide on 11 December 2003. Australia and Papua New Guinea agreed on a package of enhanced cooperation to help Papua New Guinea address its key challenges, with Australians to work side-by-side with Papua New Guineans in the areas of policing, law and justice, and economic and public sector management.

Apart from significant numbers of police personnel and specialists in law and justice agencies, up to 36 Australian officials will work in key economic, finance, planning and spending agencies to help Papua New Guinea better utilise the 80 per cent of its budgetary resources derived internally. They will also help Papua New Guinea maintain a focused public sector, boost the efficiency of government spending and improve the funding of services and infrastructure. Australian economic officials will be drawn largely from the Australian Departments of Treasury and Finance and Administration.

Other Australian officials will help streamline Papua New Guinea's immigration services, border and transport security and management, and aviation safety. Australia will also place a deputy chief executive officer in the Papua New Guinea Civil Aviation Authority to ensure a high standard of management and governance, particularly in relation to safety regulation and standards. Economic, border and transport management assistance will be funded from the existing aid program.

The new arrangements were to be put in place progressively from early 2004. However, recent political developments associated with proposals to change the working parameters of the 'no-confidence' Constitutional mechanism may result in further change or delay. One effect of the recent political events is that the Somare Government has announced an adjournment of parliament until mid 2004.

### Using the IPM model to target areas for reform

The heartland of public sector reform is about remedying faults and making improvements in institutions, policies and management. What change is needed in each of these areas? What are the reform activities that should be pursued? What are the priorities among them?

#### Institutions

Institutions are not organisations but rather the 'rules and systems' that are available to the Executive to influence and manage national affairs (World Bank 1998). From an Australian perspective, Papua New Guinea (perhaps not surprisingly) has the usual array of recognisable institutions, but clearly they do not always perform well. Performance is the issue—not institutional gaps. Here, attention can be drawn to only a few areas.

A major institution is the public service. There is a clear constitutional basis (and legislation) for the public service but there are many criticisms about its effectiveness. Indeed the criticisms of performance are so widespread that suggestions for reform are likely to be equally comprehensive and, consequently, to defy implementation. Institutional change does not seem to be warranted but rather an approach that stresses good leadership and rigorous management.



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Papua New Guinea's public service has become politicised and its leadership unstable. This is one of the fundamental causes of poor performance in the public service. Therefore, the effective implementation of the new arrangements for personnel management at this level is of critical importance. The minister for the public service said in a recent speech that the era of departmental heads being appointed and removed at the whim of individual ministers or other influences is gone.<sup>1</sup> The Public Service Commission has been resurrected and given a major new role in all appointments and terminations of departmental heads, but it has not been given sufficient staff and resources to carry out its new role. This is an area for urgent attention.

Leadership matters have been actively pursued by the Ombudsman Commission through its responsibilities under the Leadership Code, which aims to improve the standard of leadership, support the rule of law, and combat corruption and mismanagement. The Leadership Code classifies the following as 'leaders'

- elected leaders in the three levels of government (national, provincial and local level)
- departmental heads
- Constitutional office holders
- heads of statutory authorities
- provincial administrators
- heads of overseas missions
- others as determined by the Ombudsman Commission, for example Board members.

To mid 2003, 67 people in these categories had been referred for prosecution under the Leadership Code. Of those charged, 34 were found guilty and either were dismissed or fined, or had their appointments revoked; 21 resigned or, for other reasons, could not be prosecuted under the Leadership Code;

six cases are pending; while six were found not guilty.<sup>2</sup> Efficient handling of Leadership Code cases is sending the right signals about good governance and is helping to raise public awareness and support for better leadership standards. The activities of the Ombudsman Commission have attracted considerable community attention and are frequently reported upon favourably in local newspapers.<sup>3</sup> Continued support of this institution is needed as political opposition to its activities appears to be growing.<sup>4</sup>

Central agencies have a major role to play in modern public service management and performance. In Papua New Guinea, the structures exist at the political and official levels (put in place by the Morauta Government)—the National Executive Council, Chief Secretary, the Central Agencies Coordination Committee, and the Public Sector Reform Management Unit—but significantly improved performance is not evident. The challenge remains to generate a 'whole of government' perspective and the cooperation necessary to act on such a perspective. For example, it is surprising that loopholes remain in the payroll system, given the ample opportunities for the Central Agencies Coordination Committee (with Treasury and the Department for Personnel Management as members) to exercise leadership and discipline in the interests of affordability and budget discipline. The cooperation necessary to bring this problem under control is only just beginning to develop. However, it needs to go much further and for the Central Agencies Coordination Committee to become an effective coordinator for 'whole of government' issues—of which there are many in the context of public sector reform. The Committee has been nominated as the provider of strategic oversight at the official level for the new Strategic Plan for public sector reform and greater effectiveness of the Committee is essential.

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The budget is a major institution that in many countries is the dominant mechanism in the national system of economic and financial management. In Papua New Guinea it has not served this purpose effectively on a consistent basis. This situation was the background to the Public Expenditure Review and Rationalisation project, and strong follow-up during 2004 is a high priority. The new Australia-Papua New Guinea initiative in cooperation has given high priority to activities in this area.

The National Audit function is an important institution that has not achieved its potential in Papua New Guinea. With well-known problems with financial management and corruption (as revealed, for example, by the Auditor-General's audit of the Department of Works and Implementation in 2001), there is plenty of work for the Audit Office. However, it does not appear to be particularly active; nor has it gained the credibility as a watchdog of the Ombudsman Commission. The Public Accounts Committee has recently called for the Auditor-General's office to become more active and accountable. For some time a major institutional strengthening project has been planned for the Audit Office under Asian Development Bank sponsorship, but for reasons that are not clear the project has not proceeded. Recently, the Auditor-General was dismissed from office under the Leadership Code for misuse of personal allowances. Clearly, the Audit Office is in major need of reform and modernisation. The institutional strengthening project supported by the Australian government's aid agency, AusAID, for the Ombudsman Commission a few years ago would seem to represent an ideal model for a high-priority project in this area.

While the key institutions of the public sector are in place, much work is needed to make them more effective. Primary areas for reform have been identified. There is

another important institutional area that should be mentioned—'decentralisation' or provincial administration. It is recognised that considerable rethinking and reform is needed in this field and investigatory work is under way, but exploration of this is beyond the scope of this paper.

### Policies

The policy picture is mixed and effective policy processes and implementation are seen as problem areas. As Kaul has pointed out, policy management has become a critical area in the development debate (Kaul 1997) and identified the following main factors affecting policy management

- a conducive policy environment
- organisational and institutional infrastructure
- policy analysis capacity.

These factors cannot be rated highly in Papua New Guinea.

The Public Management Committee of the Organisation for Economic Co-operation and Development has also drawn attention to the need to build policy coherence in the public sector (Organisation for Economic Co-operation and Development 1996) identifying a list of key issues to be addressed in building policy coherence

- commitment by the political leadership
- a strategic policy framework
- central overview and coordination capacity
- good policy analysis
- mechanisms to identify and resolve policy conflicts
- a mechanism for reconciliation between policy priorities and budget imperatives
- implementation and monitoring procedures that allow adjustment in changing circumstances
- an administrative culture that promotes cross-sectoral cooperation and systematic dialogue.

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In Papua New Guinea, the medium term development strategy should provide the framework for policy, but it is a reflection of gaps in the policy process that the strategy for 2003–2007 is still to be released.

Key economic policy areas to be monitored and pursued include the macroeconomic framework, revenues, expenditures, incentives for investment, and regulation. Budget preparation is the opportunity to link all of these areas in a coherent way. Key social policy areas include health and education. The infrastructure agenda includes transport, roads and energy, all of which are ongoing problem areas with important development and welfare implications. Other areas regularly arising for policy consideration are security, law enforcement and anti-corruption. Recent problems with immigration policy and practice show how gaps in policy and slow policy reaction can cause high-profile difficulties.

Policy processes and content are often criticised. The Central Agencies Coordination Committee has a key role in policy development, review and coordination, and implementation at the official level, but it is not evident that this is happening. The Committee is seen as carrying out a very time-consuming review of submissions to National Executive Council, but with few obvious positive results in terms of policy or 'whole of government' perspective. The nature of interaction between officials and ministers on policy issues is opaque.

The drivers of policy are not always identified or readily accepted in political circles. Policy analysis is not a strong point, and affordability and future financial implications, benefit/cost analysis, equity, implementation requirements, sustainability, and transparency are not given as much attention as might be expected. Affordability has now become a key policy consideration but it is not clear that it is addressed when it needs to be.

### Management

Manning (2001) has pointed out the difficulties that developing countries have had in implementing New Public Management in any comprehensive way. He suggests that comprehensive New Public Management requires a major change in 'public expectations' to generate the motivation for reform, linked with the desire in the community for better governance and anti-corruption efforts, together with renewed attention to 'old public discipline', where public sector rules are applied effectively, consistent with realities. In Papua New Guinea, 'public expectations' are low and the latter area is a challenge.

Management, in the sense of orderly planning, implementation, and control of everyday activities is considered deficient—some observers assert that management in the public sector is 'broken'. The Gap Analysis (Dixon and Holland 2003) points to basic management problems in key agencies. However, management is increasingly being recognised as a major area for improvement: it is therefore a key part of the future public sector reform agenda. This does not mean that leading-edge elements of New Public Management should be pursued but that internal systems of corporate planning, organisation, budgeting, performance, monitoring and evaluation, and reporting, need considerable redevelopment, not just at the central level but also at the line agency level.

Key fields for management improvement are financial, human resource, performance, service delivery and information technology. Financial management improvement is needed within departments and agencies to realise the benefits from budget discipline. Improved human resource management is essential if the new payroll system is to be implemented satisfactorily, and the ancillary benefits from new human resource data are to be realised. Performance management

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systems, particularly those for personnel performance, need redevelopment. Information technology systems are basic and subject to recurring problems of interruption and capacity. This will need to be addressed, subject to budget constraints.

Management improvement is a key issue for the public sector and there is scope for much to be done on a low-cost basis through simple techniques such as setting priorities, work programming and monitoring, and time management. However, there is little encouragement for public servants to take up this challenge if the environment for reform is seen to be generally unwelcoming.

### **Outlook for public sector reform in Papua New Guinea**

Clearly there is now a new basis for 'take-off' in reform in Papua New Guinea but it has to be recognised that this has been said before. Is this new activity just 'starting over' (repeating the cycle) or is public sector reform going to make real progress? One favourable possibility is that the cumulative effects of recent activities, including the new Australia-Papua New Guinea initiative (involving as it does bringing additional expatriate skills into the workplace), will create a breakthrough. That clearly is the intention, but if it is not pursued successfully one could only speculate in a pessimistic way about the outlook for public sector effectiveness and governance.

One requirement for effective reform is a serious concentration of effort on a short list of high-priority issues. If long lists of complicated reform activities appear, the chances of successful implementation will fall in inverse proportion. It is important that a few critical reforms are undertaken first, and other less critical reforms are left until later, when, hopefully, local capabilities will be stronger.

Based on this review, it is suggested that the following are key issues that need to be addressed promptly, and which if executed effectively could set the scene for more ambitious reforms.

- Establishing effective leadership and high-level management of the public sector, by implementing the new appointment and personnel management regime successfully. It will be necessary for the Public Service Commission to be staffed to carry out its newly legislated role, and supported by external assistance.
- Effective implementation of the Public Expenditure Review and Rationalisation project outcomes, in relation to budget policy, control, and discipline, with savings as proposed by the Treasurer.
- Improvement in the quality of the policy environment and policy development process, particularly through the role of the Central Agencies Coordination Committee.
- More attention to accountability and anti-corruption activities, including early redevelopment and strengthening of the audit function.
- Successful roll-out of the new human resource payroll system, and related actions in industrial relations and in implementing establishment controls and staff ceilings.
- A stronger focus on results and performance in areas such as health and education, consistent with the principle of affordability.

There will be many new questions to address. Expatriate advisors can help by providing new capacity but how well will they 'fit in', particularly in line positions? Will the process of engagement be smooth? Will a raft of new advisors help create new local capability, or replace the existing modest local capability? How will local officials (and politicians) react to the

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inevitably more rigorous economic and financial advice likely to be forthcoming? What will be left when the advisors move on? Will there be a new public sector environment that is sustainable? These questions point to important issues in progressive engagement, proportionality, local ownership, collaboration, capacity building and skills transfer.

Politicians lead executive government, therefore political leadership and political will to change are important. In Papua New Guinea this represents a complex picture, much affected by local dynamics. Some observers consider that the political will to effect significant reform has been lacking. Turner and Kavanamur (2003) note that public sector reform has been described as 'transformation against resistance' and the capacity to resist has been extremely strong. Political ownership of reform has been lacking in the past, as shown by the poor record of implementation of announced reform strategies and programs. In turn, this can affect the culture and confidence of officials. Teamwork and coherence disappear, and uncertainty about the role of the public sector accelerates. Crisis government can appear and, in these circumstances, public sector reform becomes an orphan. A positive program of public sector reform, sensibly implemented, could do a lot to remedy or offset the causes of crisis government, but this does not seem to be adequately recognised.

Perhaps the final word on this topic can be left to the current Minister for Public Service (Peter O'Neill), who, in a recent speech,<sup>5</sup> observed that Papua New Guinea 'has too much politics and not enough good government'. The minister went on to say that the challenge is to reduce the divisive and destructive influence of politics and deliver political stability so that everyone can focus on delivering good government for the people.

Future progress with reform depends on Papua New Guineans wanting change and being prepared to help themselves. Unfortunately, one cannot be confident that the challenge is seen as clearly within Papua New Guinea as it is by most outside observers. Additional advisors can help but local counterparts have to be prepared to take up the burden and ensure sustainability. Advisors can provide useful inputs but long-term effectiveness will depend on how these inputs are absorbed and acted on by Papua New Guineans. Ultimately, this is up to Papua New Guinea politicians and officials, and the general community.

## Notes

- <sup>1</sup> *The National*, 'Politics blamed for lack of good governance', 27 January, 2004.
- <sup>2</sup> Advice from Ombudsman Commission, September, 2003.
- <sup>3</sup> *The National*, 'The Papua New Guinea Ombudsman: a pillar of strength', 4 September 2003 and *Post Courier*, 'G-G's election to be probed (by the Ombudsman Commission)', 24 September, 2003.
- <sup>4</sup> *The National*, 'Ombudsman told to keep out of politics', 24 November 2003 (following the Supreme Court's finding that the Governor-General's election in September 2003 was invalid).
- <sup>5</sup> *The National*, 'Politics blamed for lack of good governance', 27 January, 2004.

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